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Summary: Notice of interest rates for the William D. Ford Federal Direct Loan Program for the period July 1, 2006 through June 30, 2007.

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[Notices]

[Page 52778-52783]

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DEPARTMENT OF EDUCATION

William D. Ford Federal Direct Loan Program

AGENCY: Federal Student Aid, Department of Education.

ACTION: Notice of interest rates for the William D. Ford Federal Direct Loan Program for the period July 1, 2006 through June 30, 2007.

SUMMARY: The Chief Operating Officer for Federal Student Aid announces the interest rates for the period July 1, 2006 through June 30, 2007 for loans made under the William D. Ford Federal Direct Loan (Direct Loan) Program.

FOR FURTHER INFORMATION CONTACT: Don Watson, U.S. Department of Education, room 11412, UCP, 400 Maryland Avenue, SW., Washington, DC 20202-5400. Telephone: (202) 377-4008.

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SUPPLEMENTARY INFORMATION: Section 455(b) of the Higher Education Act of 1965, as amended (HEA), 20 U.S.C. 1087e(b), provides formulas for determining the interest rates charged to borrowers for loans made under the Direct Loan Program including, Federal Direct Stafford Loans (Direct Subsidized Loans), Federal Direct Unsubsidized Stafford Loans (Direct Unsubsidized Loans), Federal Direct PLUS Loans (Direct PLUS Loans), and Federal Direct Consolidation Loans (Direct Consolidation Loans).

The Direct Loan Program includes loans with variable interest rates and loans with fixed interest rates. Most loans made under the Direct Loan Program have variable interest rates that change each year. The variable interest rate formula that applies to a particular loan depends on the date of the first disbursement of the loan. The variable rates are determined annually and are effective for each 12-month period beginning July 1 of one year and ending June 30 of the following year. Pursuant to section 455(b) of the HEA, 20 U.S.C. 1087e(b), the

interest rate for Direct Subsidized Loans and Direct Unsubsidized Loans that are first disbursed on or after July 1, 2006, have a fixed interest rate of 6.80 percent. In addition, Direct PLUS Loans that are first disbursed on or after July 1, 2006, have a fixed interest rate of 7.90 percent.

In the case of some Direct Consolidation Loans, the interest rate is determined by the date on which the Direct Consolidation Loan application was received. Direct Consolidation Loans for which the application was received on or after February 1, 1999 have a fixed interest rate based on the weighted average of the loans that are consolidated, rounded up to the nearest higher $\frac{1}{8}$ of one percent.

Pursuant to section 455(b) of the HEA, 20 U.S.C. 1087e(b), the Direct Loan interest rate formulas use the bond equivalent rates of the 91-day Treasury bills at the final auction held before June 1 of each year plus a statutory add-on percentage to determine the variable interest rate for all Direct Subsidized Loans and Direct Unsubsidized Loans; Direct Consolidation Loans for which the application was received on or after July 1, 1998 and before February 1, 1999; and Direct PLUS Loans disbursed on or after July 1, 1998.

The bond equivalent rate of the 91-day Treasury bills auctioned on May 30, 2006, which is used to calculate the interest rates on these loans, is 4.843 percent, which is rounded to 4.84 percent.

In addition, pursuant to section 455(b) of the HEA, 20 U.S.C. 1087e(b), as amended by Public Law 106-554, the Consolidated Appropriations Act, 2001, the interest rate for Direct PLUS Loans that were disbursed on or after July 1, 1994 and on or before July 1, 1998, is calculated based on the weekly average of a 1-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the last calendar week ending on or before June 26 plus a statutory add-on percentage.

The last calendar week ending on or before June 26, 2006 began on June 18, 2006 and ended on June 24, 2006. On June 26, 2006, the Board of Governors of the Federal Reserve System published the 1-year constant maturity Treasury yield average as 5.24 percent.

Below is specific information on the calculation of the interest rates for the Direct Loan Program. This information is listed in order by the date a loan was first disbursed or by the date that the Consolidation Application was received.

In addition, a summary of the interest rates that are effective for the period July 1, 2006 through June 30, 2007, is included on charts at the end of this notice. These charts are organized by loan type. In each chart, the interest rates are arranged by the date a loan was first disbursed or by the date that the consolidation application was received.

For Direct Loan Program Loans first disbursed on or after July 1, 1994, and before July 1, 1995: The interest rate for Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct Subsidized and Unsubsidized Consolidation Loans is the bond equivalent rate of the 91-day Treasury bills auctioned at the final auction held before June 1 plus 3.1 percent. These interest rates may not exceed 8.25 percent during any period. From July 1, 2006, to June 30, 2007, the interest rate for Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct Subsidized and Unsubsidized Consolidation Loans that were first disbursed on or after July 1, 1994, and before July 1, 1995, is 7.94 percent during all periods.

The interest rate for Direct PLUS Loans and Direct PLUS Consolidation Loans is the weekly average of a 1-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the last calendar week ending on or before June 26 plus 3.1 percent. These interest rates may not exceed 9.0 percent during any period. From July 1, 2006, to June 30, 2007, the interest rate for Direct PLUS Loans and Direct PLUS Consolidation Loans that were first disbursed on or after July 1, 1994 and before July 1, 1995, is 8.34 percent for all periods.

For Direct Loan Program Loans first disbursed on or after July 1, 1995, and before July 1, 1998: The interest rate for Direct Subsidized

Loans, Direct Unsubsidized Loans, and Direct Subsidized and Unsubsidized Consolidation Loans is the bond equivalent rate of the 91-day Treasury bills auctioned at the final auction held before June 1 plus 3.1 percent. However, during in-school, grace, and deferment periods, the interest rate formula is the bond equivalent rate of the 91-day Treasury bills auctioned at the final auction held before June 1 plus 2.5 percent. These interest rates may not exceed 8.25 percent during any period. From July 1, 2006, to June 30, 2007, the interest rate for Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct Subsidized and Unsubsidized Consolidation Loans that were first disbursed on or after July 1, 1995, and before July 1, 1998, is 7.34 percent during in-school, grace, and deferment periods and 7.94 percent during all other periods.

The interest rate for Direct PLUS Loans and Direct PLUS Consolidation Loans is the weekly average of a 1-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the last calendar week ending on or before June 26 plus 3.1 percent. These interest rates may not exceed 9.0 percent during any period. From July 1, 2006, to June 30, 2007, the interest rate for Direct PLUS Loans and Direct PLUS Consolidation Loans that were first disbursed on or after July 1, 1995 and before July 1, 1998, is 8.34 percent during all periods.

For Direct Loans first disbursed on or after July 1, 1998, and before October 1, 1998: The interest rate for Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct Subsidized and Unsubsidized Consolidation Loans is the bond equivalent rate of the 91-day Treasury bills auctioned at the final auction held before June 1 plus 2.3 percent. However, during in-school, grace, and deferment periods, the interest rate formula is the bond equivalent rate of the 91-day Treasury bills auctioned at the final auction held before June 1 plus 1.7 percent. These interest rates may not exceed 8.25 percent during any period. From July 1, 2006, to June 30, 2007, the interest rate for Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct Subsidized and Unsubsidized Consolidation Loans that were first disbursed on or after July 1, 1998 and before October 1, 1998, is 6.54 percent during in-school, grace, and deferment periods and 7.14 percent during all other periods.

The interest rate for Direct PLUS Loans and Direct PLUS Consolidation Loans is the bond equivalent rate of the 91-day Treasury bills auctioned at the final auction held before June 1 plus 3.1 percent. These interest rates may not exceed 9.0 percent during any period. From July 1, 2006, to June 30, 2007, the interest rate for Direct PLUS Loans and Direct PLUS Consolidation Loans that were disbursed on or after July 1, 1998, and before October 1, 1998, is 7.94 percent during all periods.

For Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans first disbursed on or after October 1, 1998, and before July 1, 2006: The interest rate for Direct Subsidized Loans and Direct Unsubsidized Loans is the bond equivalent rate of the 91-day Treasury bills auctioned at the final auction held before June 1 plus 2.3 percent. However, during in-school, grace, and deferment periods, the interest rate formula is the bond equivalent rate of the 91-day Treasury bills plus 1.7 percent. These interest rates may not exceed 8.25 percent during any period. From July 1, 2006, to June 30, 2007, the interest rate for Direct Subsidized Loans and Direct Unsubsidized Loans that were disbursed after July 1, 1998, and before July 1, 2006, is 6.54 percent during in-school, grace, and deferment periods and 7.14 percent during all other periods.

The interest rate for Direct PLUS Loans is the bond equivalent rate of the 91-day Treasury bills auctioned at the final auction held before June 1 plus 3.1 percent. These interest rates may not exceed 9.0 percent during any period. From July 1, 2006, to June 30, 2007, the interest rate for Direct PLUS Loans that were disbursed after July 1, 1998, and before July 1, 2006, is 7.94 percent during all periods.

For Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct

PLUS Loans first disbursed on or after July 1, 2006: The interest rate for Direct Subsidized Loans and Direct Unsubsidized Loans that were first disbursed on or after July 1, 2006 is a fixed interest rate of 6.80 percent during all periods.

The interest rate for Direct PLUS Loans that were first disbursed on or after July 1, 2006 is a fixed interest rate of 7.90 percent during all periods.

For Direct Consolidation Loans first disbursed on or after October 1, 1998 and for which the application was received before October 1, 1998: The interest rate for Direct Subsidized and Unsubsidized Consolidation Loans is the bond equivalent rate of the 91-day Treasury bills auctioned at the final auction held before June 1 plus 2.3 percent. However, during in-school, grace, and deferment periods, the interest rate formula is the bond equivalent rate of the 91-day Treasury bills auctioned at the final auction held before June 1 plus 1.7 percent. These interest rates may not exceed 8.25 percent during any period. From July 1, 2006, to June 30, 2007, the interest rate for Direct Subsidized and Unsubsidized Consolidation Loans that first disbursed on or after July 1, 1998 and before October 1, 1998, is 6.54 percent during in-school, grace, and deferment periods and 7.14 percent during all other periods.

The interest rate for Direct PLUS Consolidation Loans is the bond equivalent rate of the 91-day Treasury bills auctioned at the final auction held before June 1 plus 3.1 percent. These interest rates may not exceed 9.0 percent during any period. From July 1, 2006, to June 30, 2007, the interest rate for Direct PLUS Loans and Direct PLUS Consolidation Loans that were disbursed on or after July 1, 1998, and before October 1, 1998, is 7.94 percent during all periods.

For Direct Consolidation Loans for which the application was received on or after October 1, 1998, and before February 1, 1999: The interest rate for Direct Consolidation Loans for which the application was received on or after October 1, 1998 and before February 1, 1999 is the bond equivalent rate of the 91-day Treasury bills auctioned at the final auction held before June 1 plus 2.3 percent. These interest rates may not exceed 8.25 percent during any period. From July 1, 2006, to June 30, 2007, the interest rate for Direct Consolidation Loans for which the application was received on or after October 1, 1998 and before February 1, 1999, is 7.14 percent during all periods.

For Direct Consolidation Loans for which the application was received on or after February 1, 1999: The interest rate for Direct Consolidation Loans for which the application was received on or after February 1, 1999, and before July 1, 2006, is the lesser of 8.25 percent, or the weighted average of the loans consolidated, rounded to the nearest higher $\frac{1}{8}$ of one percent.

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Program Authority: 20 U.S.C. 1087 et seq.

Dated: August 31, 2006.
Theresa S. Shaw, Chief Operating Officer, Federal Student Aid.

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[GRAPHIC] [TIFF OMITTED] TN07SE06.016

[[Page 52781]]

[GRAPHIC] [TIFF OMITTED] TN07SE06.017

[[Page 52782]]

[GRAPHIC] [TIFF OMITTED] TN07SE06.018

[[Page 52783]]

[GRAPHIC] [TIFF OMITTED] TN07SE06.019

[GRAPHIC] [TIFF OMITTED] TN07SE06.020

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